tion favors the organization. As the parent company is not known, at least officially, to the local authorities, the burden of taxation is greatly reduced. Then again it is desirable to have local men in charge of the various plants of the corporation, and to give these men a stock interest, not in the parent company, but in the branch business. In a sense the parent company is a holding company since it controls the stock of the subsidiary concerns, and since, moreover, the branch plants are operated in its interests. But it is not a typical holding company in the real meaning of that term.

The holding company. A holding company comes into being through securing control of the stock of already established concerns. The real reason for its existence is not the securing of returns upon the stock that it holds, but the control of various hitherto independent competitive organizations. The control may amount to the ownership of a bare majority of the voting stock of the subsidiary concern; but as a rule an attempt is made to control as much stock as possible, so that the holding company may be in a position to completely dominate the situation. It may be necessary, in the interests of economy, to concentrate production in the best plants and permit the poorer plants to gradually close their doors. Now, it is obvious that if there is a strong majority interest in these poorly equipped plants it will be difficult for legal and other reasons to put this policy into effect. And, on the other hand, it is always advisable for a holding company to own as much stock as possible in those plants whose business it intends to expand.

A holding company, in theory, may be only the holder of the majority interest in the stocks of subsidiary concerns, but in practice it is the virtual owner of the property, whatever form it may assume, of the subsidiary organizations. This dual function of the holding company is disclosed in the balance sheet of the concern. In the report of a holding company there are almost always found two balance sheets and two income statements. The first balance sheet shows the securities in the treasury of the holding company, and the first income statement reports merely the dividends and interest received on these securities. The second balance sheet, usually called the "consolidated" or "general," shows as assets the physical property of the subsidiary companies, while the second income statement shows their combined profits. A knowledge of these facts will very often help stockholders to appraise properly the status of their own company.

The holding company and the "trust." The United States is the country *par excellence* of the "trust." It is through the